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Message Text

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PAGE 01 STATE 065717

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E.O. 11652: GDS

TAGS: PFOR

SUBJECT: MORNING SUMMARY OF SIGNIFICANT REPORTS

1. LEBANON: HOPE SPRINGS ETERNAL

ALTHOUGH THE BACKDROP OF TENSION REMAINS, AN OPTIMISTIC AT-
MOSPHERE PREVAILED IN BEIRUT AS SIGNS OF PROGRESS APPEARED
IN NEGOTIATIONS AND LEBANESE AND PALESTINIAN LEADERS PLANNED
THEIR RETURN FROM DAMASCUS LATE MARCH 17. THE EMBASSY NOTES
THAT:

--JUMBLATT IS THE ONLY MAJOR FIGURE WHO STILL TALKS OF
A MILITARY SOLUTION, AND THERE ARE INDICATIONS THAT HIS
RELATIONS WITH THE SYRIANS ARE STRAINED (HE ALLEGEDLY
REFUSED A SYRIAN INVITATION TO JOIN ARAFAT, THE PHA-
LANGE, ETC.).

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PAGE 02 STATE 065717

--IN THE DAMASCUS TALKS, THE SYRIANS ARE WORKING ON

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

OTHER ELEMENTS OF THE LEBANESE LEFT TO BRING THEM IN
LINE, AND LIKEWISE ISOLATE JUMBLATT.

A RELIABLE EMBASSY SOURCE REPORTED THAT THE PHALANGE IS
PLEASED WITH THE DAMASCUS NEGOTIATIONS (AND THE SYRIAN POSI-
TION IN GENERAL), AND SUGGESTED THAT FRANGIE IS "FED UP" AND

WOULD WELCOME A GRACEFUL EXIT. (UNCLASSIFIED) BEIRUT 2381
AND (CONFIDENTIAL) BEIRUT 2372, 3/17.)

2. ITALY: EC APPROVES LOAN AS LIRA DROPS

THE ITALIAN DIRECTOR GENERAL OF THE TREASURY TOLD EMBASSY
ROME THAT THE EC MINISTERS OF FINANCE APPROVED A ONE BIL-
LION DOLLAR LOAN TO ITALY ON MARCH 15, CONDITIONAL UPON
LIMITING DOMESTIC CREDIT, BUDGET EXPENDITURE, WAGE AND
SALARY INCREASES, AND TAX EVASION. MEANWHILE:

--A SHARP DROP OF THE LIRA VIS-A-VIS THE DOLLAR (DUE
IN PART TO A LACK OF CONFIDENCE IN THE MINORITY GOV-
ERNMENT AND TO UNCERTAIN ECONOMIC PROSPECTS) HAS
CAUSED GREAT UNEASINESS IN THE EXCHANGE MARKET AND
GOVERNMENT CIRCLES.

EMBASSY COMMENT: THE GOI APPARENTLY BELIEVES IT CAN LIVE
WITH THE CONDITIONS OF THE LOAN, EVEN THOUGH THEY ARE MORE
STRINGENT THAN THOSE ATTACHED TO LAST YEAR'S MEDIUM TERM
CREDIT. THERE IS CONCERN IN THE EC ABOUT ITALY'S POLITI-
CAL SITUATION, PLUS A WISH TO PROTECT OTHER MEMBERS' EXPORT
INTERESTS IN LIGHT OF THE LIRA'S PLUMMETING VALUE. (CONFI-
DENTIAL) ROME 4362 AND (LIMITED OFFICIAL USE) ROME 4372,
3/17.)

3. FRENCH WARN SOVIETS ON DANGERS TO DETENTE

ACCORDING TO A QUAI OFFICIAL WHO ACCOMPANIED SECRETARY GEN-
ERAL DE COURCEL DURING RECENT CONSULTATIONS IN MOSCOW, THE
FRENCH WERE IMPRESSED BY SOVIET EFFORTS TO OFFER A WARM
RECEPTION. THAT RECEPTION MAY BE ATTRIBUTABLE TO A SOVIET
DESIRE TO REJUVENATE RELATIONS WITH PARIS (PERHAPS AS A
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PAGE 03 STATE 065717

COUNTERPOINT TO THEIR CURRENT PROBLEMS WITH THE US) AND TO
ERASE THE NOT SO PLEASANT IMPRESSIONS OF GISCARD'S VISIT.
THE EMBASSY BELIEVES THAT DE COURCEL:

--SUCCESSFULLY USED THE TRIP TO WARN THE SOVIETS OF
THE POSSIBLE CONSEQUENCES FOR DETENTE SHOULD THEIR
ADVENTURISM CONTINUE (ESPECIALLY IN AFRICA); AND

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--MADE PROGRESS IN RESTORING BILATERAL RELATIONS WITHOUT MAKING COMMITMENTS ON THE PRECISE FORM THESE IMPROVEMENTS WILL TAKE, THEREBY PROVIDING THE QUAI WITH MODEST LEVERAGE, AND INDIRECTLY FURTHERING FRANCO-AMERICAN INTERESTS. (CONFIDENTIAL) PARIS 7990 (LIMDIS) 3/17.) KISSINGER

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